“Providing Insurance through the Children’s Health Insurance Plan (CHIP)”

February 7, 2006

CHIP History

- In 1997 the Title XXI of the Social Security Act, enacted by the Balanced Budget Act, authorized federal grants to states for provision of child health assistance to uninsured, low-income children. The program is jointly financed by the federal and state governments and administered by the states.

CHIP History (continued)

- Within broad federal rules, each state decides eligible groups, types and ranges of services, payment levels for benefit coverage and administrative and operating procedures.
- Montana's State Plan for CHIP was approved by the federal government in September 1998.

CHIP History (continued)

- In April 1999 the Montana legislature passed SB81 and appropriated the state match to allow Montana to draw down its federal CHIP allotment. The state's match was funded from Montana's share of the multi-state Tobacco Settlement.
- CHIP outreach and enrollment, funded by the federal CHIP allotment and the state match, began in October 1999 ("Phase II").

Recent Events Affecting CHIP

Increased funding in SFY 2006 & 2007 due to support by:

- •General Public - Passage of I-149 Tobacco Tax
- •Governor
- •Legislature

Passage of SB154 sponsored by Sen. John Cobb

- •Allows the state to provide insurance through options other than a fully-insured plan
- •Caps the administrative expense at 12% for a fully-insured plan and 10% or the applicable federal limitation for a self-insured plan
- •Establishes a CHIP state special revenue account

CHIP Eligibility

- 0-18 years of age
- 150% FPL ($30,000/yr for family of 4 effective 2/1/06)
- Resident of Montana
- US citizen or qualified alien
- Uninsured
- Not eligible for Medicaid
- Not eligible for State of MT or MT University System health coverage

CHIP Enrollment

FFY 2005

- "Ever-enrolled" = 15,841 children
- Average monthly enrollment = 11,026 children
- No waiting list effective July 1, 2005
- February 1, 2006 = 12,011 children

CHIP eligibility ends for some children each month due to:

- turning 19, get Medicaid or other insurance, become eligible for state insurance, move out of state, don't reapply for CHIP or reapply but financially ineligible

CHIP Benefits

- Benchmarked on State Employee Health Plan
- Medical benefits provided through BCBSMT
  - BCBSMT assumes risk
  - DPHHS pays monthly premiums
  - $1M lifetime benefit maximum per child
- Dental services & eyeglasses administered and paid fee for service by DPHHS

CHIP Benefits

- Physician, PA, APRN services
- Sports and employment physicals
- Surgeries
- Clinic, ambulatory health care services
- Prescription drugs
- Lab and x-ray services
- Hearing exams
- Inpatient, outpatient, and residential mental health services
- Inpatient, outpatient and residential substance abuse treatment services
- Dental services
- Vision exams and eyeglasses

➢There are no pre-existing condition limitations

Current CHIP Administrative Functions Performed by DPHHS

- Eligibility
- Enrollment
- Toll-free phone line
- Quality assurance
- Manage contract for medical benefits
- Manage Dental & Eyeglasses programs
- Referrals to other health programs and resources
- Outreach
- Enrollee education
- Annual Enrollee Survey and quarterly newsletter
- Complaint resolution
- Federal grant reporting requirements

CHIP Federal Funding

- 3 years to spend the federal allocation
- Montana now spending FFY 2004 allocation
- No guarantee of re-distributed funds
- Federal Medical Assistance Percentage (FMAP) tied to Medicaid rate.
- FMAP rates declining
  - Estimated CHIP FMAP for FFY 2006 = 79.38%
  - Estimated CHIP FMAP for FFY 2007 = 78.38%

CHIP Expenditures

FFY 2004

Benefits	$16,594,571	
Administration	$ 1,088,219	(6%)
Total	$17,682,790	

FFY 2005

Benefits*	$17,149, 456	
Administration	$ 1,142,868	(6%)
Total	$18,292,324	

* Includes RSR settlement

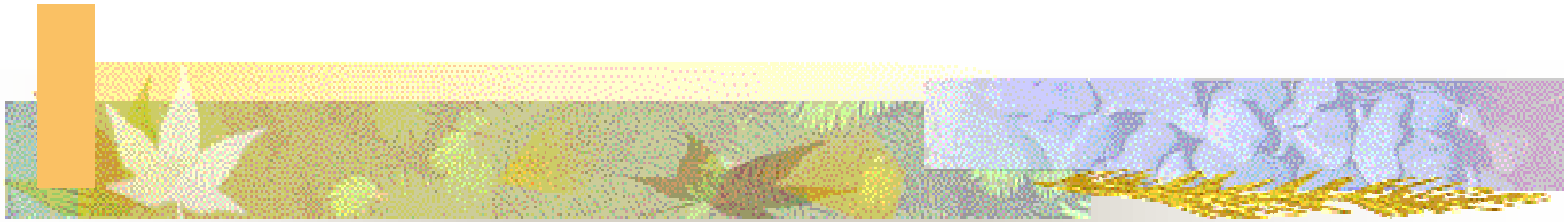
CHIP 10% Administrative Cap

- State can exceed cap but no federal match above 10%
- Cap applied differently to fully-insured vs. self-administered plan
- Based on benefit costs
  - (enrollment x utilization x unit price)
- Consulting with Centers for Medicare & Medicaid Services (CMS)

Cost Savings?
Insure More Children?

- Determine costs for self-administering vs. purchasing fully-insured plan.
- Determine how many more children can be insured if state self-administers.

OPTIONS



Medicaid

Fully Insured

Self-Administered

Self-Administered with a TPA

Medicaid Expansion Features

- CHIP coverage mimics Medicaid
- Individual Entitlement
- Full Benefit Package – beyond traditional insurance
- All Medicaid Rules Apply
  - Medical Necessity vs. Numerical Limits
  - Equal Protection among classes of clients
- Claims paid through fiscal agent

Medicaid Expansion Advantages

- Assures protections for the individual child as noted on previous slide
- 10% administrative cap does not apply
- CHIP grant is utilized and then costs roll to Medicaid for benefits and administration
- Administrative efficiencies
  - Enrollment, Program Management, Claims processing
  - Quality assurance
- Children of state and university employees can be covered

Medicaid Expansion Disadvantages

- Stigma
- Number of participating providers may be limited – strains an already vulnerable situation
- More difficult to predict and control costs because of the entitlement nature
  - No waiting lists allowed
  - Must offer all medically necessary services

Features of a Fully Insured CHIP Program

- State pays a monthly premium for each covered child – predictable
- Can limit enrollment to a certain number of children & create waiting lists based on appropriation

Features of a Fully Insured CHIP Program

- Flexibility to target eligibility & benefits (example – SED wrap around)
- Fewer mandated benefits than Medicaid
  - Visit and dollar caps are allowed
  - Can choose simply to not cover something despite medical necessity

Fully Insured CHIP Program Advantages

- Reduced stigma
- Limited state liability - insurance company bears the risk
- Services provided by insurance company do not count against 10% administrative cap

Fully Insured Program Advantages (cont.)

- Established provider network – in and out-of-state
- Rates paid to providers tend to be more market driven
- Public/private partnership
  - Each doing what it does well

Fully Insured Program Disadvantages

- For the Child - not as comprehensive as Medicaid
- Network consists of traditional package of benefits and traditional providers
- Provider network may limit choice
- Negotiations for premium increases
  - Rates, risk factor and administrative overhead are determined to a great extent by the insurance company
- Children of state and university employees are not eligible

Self –Administered CHIP Program Features

- State provides or contracts for services
- State Assumes the Risk
  - Stop-loss insurance – case specific or aggregate
  - Reserve Account
- 10% cap on administrative services
  - Driven off of benefit expenditures – may fluctuate

Self –Administered CHIP Program Advantages

- Can cover more children if you can control your administrative and benefit related costs
- State is experienced in running health care programs

Self –Administered CHIP Program Advantages (cont.)

- Can limit enrollment to a certain number of children & create waiting lists
- Flexibility to target eligibility & benefits (example – SED wrap around)
- Fewer mandated benefits than Medicaid
  - Visit and dollar caps are allowed
  - Can choose to not cover something despite medical necessity

Self –Administered CHIP Program Disadvantages

- Possibility of stigma
- Increases the number of state employees
- State assumes the liability for costs – although can mitigate by capping the amount of coverage for an individual and/or purchasing stop loss insurance
- Reserve account needed
  - State Funds needed, not matched with federal until expended
  - Accurate projections are crucial

Self –Administered CHIP Program Disadvantages (cont.)

- Must develop provider network – in and out-of-state
- Rates paid to providers may tend to become less market driven
- Services provided directly by the state and/or under contract with the state count against 10% administrative cap
  - Claims Processing
  - Customer Service
  - One-time only developmental costs

CHIP Program Self-Administered with a TPA Features

- State contracts for administrative services
- State Assumes the Risk
  - Stop-loss insurance – case specific or aggregate
  - Reserve Account
- 10% cap on administrative services
  - TPA contract counts toward the cap
  - Driven off of benefit expenditures – may fluctuate

CHIP Program Self-Administered with a TPA Advantages

- Can cover more children if you can control your administrative and benefit related costs
- Possibility of stigma is less than with purely self-administered program
- TPA is experienced in insurance administration

CHIP Program Self-Administered with a TPA Advantages (cont.)

- Can limit enrollment to a certain number of children & create waiting lists
- Flexibility to target eligibility & benefits (example – SED wrap around)
- Fewer mandated benefits than Medicaid
  - Visit and dollar caps are allowed
  - Can choose to not cover something despite medical necessity

CHIP Program Self-Administered with a TPA Advantages (cont.)

- Established provider network – in and out-of-state
- Rates paid to providers remain more market driven than with Medicaid or self-administered

CHIP Program Self-Administered with a TPA Disadvantages

- State assumes the liability for costs – although can mitigate by capping the amount of coverage for an individual and/or purchasing stop loss insurance
- Reserve account needed
  - State Funds needed, not matched with federal until expended
  - Accurate projections are crucial

CHIP Program Self-Administered with a TPA Disadvantages (cont.)

- Services provided directly by the state and/or under contract with the state count against 10% administrative cap
  - Claims Processing
  - Customer Service
- Must continue to negotiate a contract
  - Less control of administrative costs than with own staff
- Increases the number of state employees

Work Group Objectives for Afternoon Session

In all discussions, consider the impacts the option may have on families and children.

Work Group Objectives

- Further identify the advantages and disadvantages of the options (Fully insured, Self-administration, or Self–administration w/ TPA).

- Review the CHIP Self-Administration table. What details are we missing?

Thank you for sharing your knowledge, experience, and opinions.